

GALETON AREA SCHOOL DISTRICT  
POTTER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2013





**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER  
AUDITOR GENERAL**

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Ms. Marlene Parsell, Board President  
Galeton Area School District  
25 Bridge Street  
Galeton, Pennsylvania 16922

Dear Governor Corbett and Ms. Parsell:

We conducted a performance audit of the Galeton Area School District (GASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period February 17, 2011, through October 12, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010, and June 30, 2009. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the GASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

We appreciate the GASD's cooperation during the conduct of the audit.

Sincerely,

/s/

**JACK WAGNER**  
Auditor General

January 9, 2013

cc: **GALETON AREA SCHOOL DISTRICT** Board Members



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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Galeton Area School District (GASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the GASD in response to our prior audit recommendations.

Our audit scope covered the period February 17, 2011, through October 12, 2012, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2009-10 and 2008-09.

### **District Background**

The GASD encompasses approximately 325 square miles. According to 2010 local census data, it serves a resident population of 3,292. According to District officials, in school year 2009-10 the GASD provided basic educational services to 362 pupils through the employment of 47 teachers, 16 full-time and part-time support personnel, and 3 administrators. Lastly, the GASD received more than \$2.8 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the GASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

### **Status of Prior Audit Findings and Observations**

With regard to the status of our prior audit recommendations to the GASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the GASD had taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting pupil membership for a nonresident student which resulted in a net underpayment of \$4,501 (see page 7).





## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period February 17, 2011, through October 12, 2012, except for verification of professional employee certification which was performed for the period July 1, 2012, through September 27, 2012.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the GASD's compliance with applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?

- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's board members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## **Methodology**

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

GASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly

*What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, contracts, grant requirements and administrative procedures.

designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

Additionally, we interviewed selected administrators and support personnel associated with GASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 12, 2011, we reviewed the GASD's response to PDE dated March 19, 2012. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Galeton Area School District resulted in no findings or observations.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Galetton Area School District (GASD) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding pertained to nonresident student membership. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the GASD Superintendent's, written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the GASD did implement recommendations related to their nonresident student membership.

### **School Years 2007-08 and 2006-07 Auditor General Performance Audit Report**

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**Finding: Errors in Reporting Pupil Membership for a Nonresident Student Resulted in a Net Underpayment of \$4,501**

Finding Summary: Our prior audit found that during the 2007-08 school year the GASD reported one student for 179 days as a nonresident pupil placed in a private home. However, the student was adopted during the school year and should have been reported as a resident for the latter portion of the year. The District overstated nonresident pupil membership by 104 days. This error resulted in an overpayment of \$6,447.

During the 2006-07 school year, the District reported the student for 180 days as a resident. However, he should have been reported as a nonresident pupil placed in a private home for the entire year. The error resulted in an underpayment of \$10,948.

Recommendations: Our audit finding recommended that the GASD:

1. Require District personnel to familiarize themselves with PDE regulations regarding the reporting of nonresident students placed in private homes.
2. Review reports for subsequent school years and submit revised reports to PDE, if necessary.
3. PDE should adjust the GASD's future allocations to resolve the net underpayment of \$4,501.

Current Status: During our current audit procedures we found that the GASD did implement the recommendations by instituting an organized system of back-up documentation and reports, reconciliation of the Pennsylvania Information Management System reports to the Student Management System, and a centralized student registration system. As of October 12, 2012, the GASD has not received the reimbursement from PDE for the net underpayment of \$4,501.

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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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The Honorable Robert M. McCord  
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